

Message Text

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ACTION EB-08

INFO OCT-01 EA-09 ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00

DODE-00 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-02 AID-05 SS-15 STR-04 ITC-01 TRSE-00

USIA-15 PRS-01 SP-02 OMB-01 FEA-01 /093 W

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R 140319Z MAR 77

FM AMCONSUL OSAKA KOBE

TO SECSTATE WASHDC 2808

INRO ZEN/AMEMBASSY TOKYO 5370

UNCLAS OSAKA KOBE 0189

E.O. 11652: N/A

TAGS: ETRD, JA

SUBJECT: KANSAI TV MAKERS' REACTION TO ITC FINDING

SUMMARY: "BIC THREE" KANSAI TV MANUFACTURER EXPRESS ALARM AND DISAPPOINTMENT AT ITC INJURY RULING ON COLOR TV EXPORTS TO U.S., BUT HOPE FOR MODERATE U.S. REMEDIAL MEASURES. FEELING PERSISTS THAT JAPANESE FIRMS UNFAIRLY BLAMED FOR U.S. INDUSTRY TROUBLES. PRIME MINISTER WILL BE URGED TAKE UP ISSUE WITH PRESIDENT. END SUMMARY.

1. INITIAL REACTIONS OF PRINCIPAL KANSAI TELEVISION MANUFACTURERS TO ITC INJURY RULING ARE THAT KANSAI MANUFACTURERS WILL BE HARDER HIT BY ANTICIPATED REMEDIAL MEASURES THAN WILL TOKYO AREA COMPETITORS. KANSAI MAKERS(MATSUSHITA, SANYO, AND SHARP) ARE HEAVILY CONCENTRATED IN CONSUMER ELECTRONIC FIELD, WHEREAS THEY SAY TOKYO AREA COMPANIES (PRESUMABLY EXCEPTING SONY) ARE BETTER DIVERSIFIED INTO INDUSTRIAL PRODUCTS. KANSAI PRODUCERS ARE WAITING FOR OTHER SHOE TO DROP IN FORM OF ITC RECOMMENDATIONS TO PRESIDENT. THEY CLAIM TO BE SURPRISED BY ITC INJURY FINDING, AND TO BELIEVE THAT ARGUMENTS THEY PRESENTED TO ITC WERE NOT ADEQUATELY CONSIDERED. THEY
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HOPE THAT ORDERLY MARKETING ARRANGEMENT MAY EMERGE AS SOLUTION BUT APPARENTLY THINK IT MORE LIKELY THAT TARIFF-QUOTA CONTROLS WILL BE IMPOSED.

2. KANSAI TELEVISION MAKERS ARE AWARE THAT ITC INJURY FINDING IS SEPARATE FROM ANY FINDING OF UNFAIR TRADE PRACTICES. NEVERTHELESS, THEY APPEAR TO FEEL THAT

ACCUSATION OF UNFAIR PRACTICE IS IMPLIED. IN THIS CONNECTION THEY MAKE THE POINTS WHICH WE ASSUME THEY MADE TO ITC, I.E., (1) THEIR COMPETITIVE PRICE ADVANTAGE IS RESULT OF AUTOMATION AND RATIONALIZATION OF PRODUCTION, AT SUBSTANTIAL INVESTMENT SINCE 1972, (2) SPECIAL PRODUCTION ARRANGEMENTS WITH BIG U.S. MERCHANDISERS WERE MADE AT LATTER'S INITIATIVE AND A JAPANESE ASSUME AMERICAN PRODUCERS HAD EQUAL OPPORTUNITY TO GET IN ON THESE DEALS, (3) COMPETITION WHICH JAPANESE BEAT OUT IN SMALLER SIZE COLOR SETS WAS LARGELY THAT OF TAIWAN-LOCATED VENTURES, NOT U.S. DOMESTIC PRODUCTION, AND (4) PRINCIPAL U.S. MAKERS STILL ENJOYING LARGE PROFITS. IN LATTER CONNECTION, FIGURES GIVEN TO US BY ONE JAPANESE PRODUCER APPEARED TO REFLECT TOTAL CORPORATE PROFIT, NOT JUST TV.

3. KANSAI MANUFACTURERS ALSO ARGUE THAT 1976 JUMP IN EXPORTS TO U.S. WAS "TEMPORARY, ONE-TIME PHENOMENON". THEY ATTRIBUTE IT TO SURGE IN DEMAND FOR SMALLER SIZE COLOR SETS, PURCHASES BY MAJOR U.S. MERCHANDISERS UNDER SPECIAL ARRANGEMENTS (WHICH THEY ASSERT INCLUDED BUILDING UP INVENTORY), DECLINE OF TAIWAN COMPETITION, AND ASSUMPTION THAT CONSUMER PURCHASES WERE STIMULATED (ON JAPANESE EXPERIENCE PATTERN) BY SPECIAL EVENTS, IN THIS CASE THE BICENTENNIAL. HOWEVER, OUR SOURCES DISAGREE ON WHAT WOULD BE "NORMAL" LEVEL OF EXPORTS TO U.S. MATSUSHITA AND SANYO SOURCES ASSERT, OBVIOUSLY WISHFULLY, THAT 1976 LEVEL SHOULD BE CONSIDERED NEW "NORMAL" BASE. SHARP SOURCES HINT THAT COMPANY WOULD BE SATISFIED WITH SOMETHING BETWEEN PRE-EXISTING AND 1976 LEVELS. ALL JAPANESE UNCLASSIFIED

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SOURCES TEND TO FOCUS ON WORST CASE ASSUMPTION SUCH AS CEILING AT AVERAGE 1972 TO 1975 IMPORT LEVEL, WHICH THEY ARGUE WOULD BE UNFAIR BECAUSE THESE WERE RECESSION YEARS. STATISTICS PUBLISHED SANKEI NEWSPAPER MARCH 9 SUPPORT THIS ARGUMENT, SHOWING DECLINING JAPANESE TV EXPORTS TO U.S. 1972-74, 1975 EXPORTS BELOW 1971.

4. MANUFACTURERS ARE HESITANT ABOUT PREDICTING ACTUAL IMPACT IN ADVANCE OF CLEAR INDICATION OF NATURE OF REMEDIATION. IF MEASURES SUCH AS SUBSTANTIAL TARIFF INCREASE OR IMPOSITION OF QUOTA RESULT IN SEVERE REDUCTION OF EXPORTS TO U.S., OUR SOURCES SAY SOME SUBSIDIARIES AND SUPPLIERS WILL BE HARD HIT IN KANSAI, WITH BANKRUPTCIES AND RISING UNEMPLOYMENT AS CONSEQUENCE. ALL KANSAI PRODUCERS OF COURSE HAD BONANZA YEAR IN 1976 AND MAY FIND IT DIFFICULT TO MAKE CONVINCING CASE THAT THEY WOULD BE BADLY HURT BY A MODERATE REDUCTION IN EXPORTS TO U.S. THEY ALL REPORTEDLY PRODUCED AT FULL CAPACITY LAST YEAR. ON OTHER HAND, NO NEW INVESTMENT IN TV MANUFACTURING FACILITIES

IS IN THE WORKS AS FAR AS WE KNOW.

5. IN TERMS OF COUNTERMEASURES, IT APPEARS CERTAIN THAT PRIME MINISTER FUKUDA WILL BE URGED TO RAISE ISSUE WITH THE PRESIDENT DURING WASHINGTON VISIT. MATSUSHITA AND SANYO INDICATE THEY WILL STEP UP PRODUCTION AT U.S. FACILITIES AND SHARP HAS REVIVED INTEREST IN POSSIBLE PLANT INVESTMENT IN U.S. PRODUCERS WOULD ALSO MAKE EFFORTS TO EXPAND TV MARKETS IN THIRD COUNTRIES AS WELL AS JAPAN AND TO DIVERSIFY EXPORTS TO U.S. INTO OTHER PRODUCT LINES.

6. MAJOR KANSAI BUSINESS AND ECONOMIC ORGANIZATIONS, SUCH AS KANKEIREN AND OSAKA CCI, HAVE ADOPTED WAIT AND SEE ATTITUDE FOR PRESENT. SOURCES IN SUCH GROUPS, HOWEVER, FEAR THAT ITC TV RULING MAY BE FORERUNNER OF U.S. PROTECTIONIST MOVES IN SUCH FIELDS AS STEEL, AND WILL

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ENCOURAGE EC TO FURTHER RESTRICT JAPANESE EXPORTS.
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Message Attributes

Automatic Decaptioning: X
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TAGS: ETRD, JA, US
To: STATE
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vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/87527bb8-c288-dd11-92da-001cc4696bcc
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